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Linking Farmers to Markets

A practical experience from Senegal

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Outline of presentation

- The context
- The setting
- The process
- The challenges

The Policy Context

- Structural adjustment programs in Africa
- Impacts of the SAP period in Africa
- Post-structural adjustment Africa and the new policy agenda
- New institutional economics (NIE)
- Importance of smallholder agriculture
- Promoting market access

Based on “Linking Farmers to Markets” 2007, Jim Barham

Structural adjustment programs in Africa

- 1960s & 1970s development strategies
 - Focus on urban & industrial
 - Overbearing state intervention
 - => Distorted prices <> relative scarcity or abundance of economic resources
- Sharp increase of oil price in 1970s => Debt repayment crises
- SAP's implemented to "Get the prices right"
- Measures in agricultural sector meant to boost output and export
 - Liberalization input and output prices (no more subsidies)
 - No more regulatory controls (such as quota or flow restrictions)
 - Public enterprises only supportive activities (no longer market actor)

Impacts of the SAP period in Africa

- 25 years later: a disastrous impact on the poor and women
- Ineffectiveness of SAPs on African continent compounded by
 - Low land productivity, inadequate infrastructure, vulnerability to natural disasters, high levels of political instability, HIV/AIDS pandemic
- Share in total world agricultural export fell from 6% to 3%
- Smallholder farmers switched from cash crops to subsistence crops
 - While scrambling for viable livelihoods alternatives (e.g. salaried employment outside of agriculture, out-migration, etc.)
- Drastic increase in food aid for many countries

Post-structural adjustment Africa and the new policy agenda

- SAP critics & supporters converge, in that:
 - *"Market liberalization necessary for economic development"*
and
 - *"Intervention necessary for rural livelihood protection"*

- However, SAP critics & supporters diverge on role of the state:
 - "Conventional wisdom" – State only enforcing contracts and property rights

or
 - "Emerging orthodoxy" – State should have more "activist" role
 - Building institutional and governmental structures to enhance market efficiency

New institutional economics

- The new institutional economic (NIE) position is that
 - Liberalization & privatization was and is right path to development
 - HOWEVER
 - The potential of African private sector to step in had been overestimated
 - African private traders
 - Discriminated against and harassed for decades
 - Lack managerial skills, business experience and capital
 - => cannot move straight into large-scale activity previously carried by state
 - African rural market plagued by high transaction costs and risks
 - Insufficient business volume to attract private sector involvement
 - Poor roads, poor communications & low institutional development
- => "Getting the institutions rights" instead of "Getting the prices rights"

Importance of smallholder agriculture

- Millennium goal “Cut hunger by half in 2015”
 - > Smallholder farmers become focal center to accomplish goal
- Large scale recognition of potential role of smallholder agriculture in rural economy because
 - Agriculture is main livelihood of 65% of African population
 - Agricultural production is 30% to 40% of GNP (60% of export)
 - 95% of agricultural production is from small scale farms
- Comparative advantages over large scale, industrial farming recognized because of
 - Higher productivity per acre of land
 - Lower input costs through family and other labor sharing arrangements
 - Utilizing local knowledge and indigenous farming techniques

Promoting market access

- Key to developing agricultural sector and rural economies
= better market access for small holder farmers
 - Necessity to create entrepreneurial culture:
"Farmers should produce for markets rather than trying to market what they produce"
 - Promoting market access for smallholder farmers should lead to
 - Increased incomes, lower malnutrition & better health
 - New rural employment opportunities and food security
- => Better market access is to be foundation for real positive growth in agriculture and national economy

The Setting

- Senegal – Country Profile
- Smallholder farming in Senegal
- The NGO - VECO
- Strategic Objectives 2008-2013
- Key partner organizations

Senegal – Country Profile

■ General demographics

- Population: 11.5 million
- 25 and younger: 64.1%
- Urban population: 41%
- Ethnically divers: Wolof, Serer, Peul, Mandingue, Diola
- Literacy rate: 38% (women 28%)
- Life expectancy at birth: 54 y



■ Some Economic indicators

- Annual growth rate: 5%
- Per capita Income: PPP \$1,792
- HDI: 156/177
- Poverty rate: 57.1%



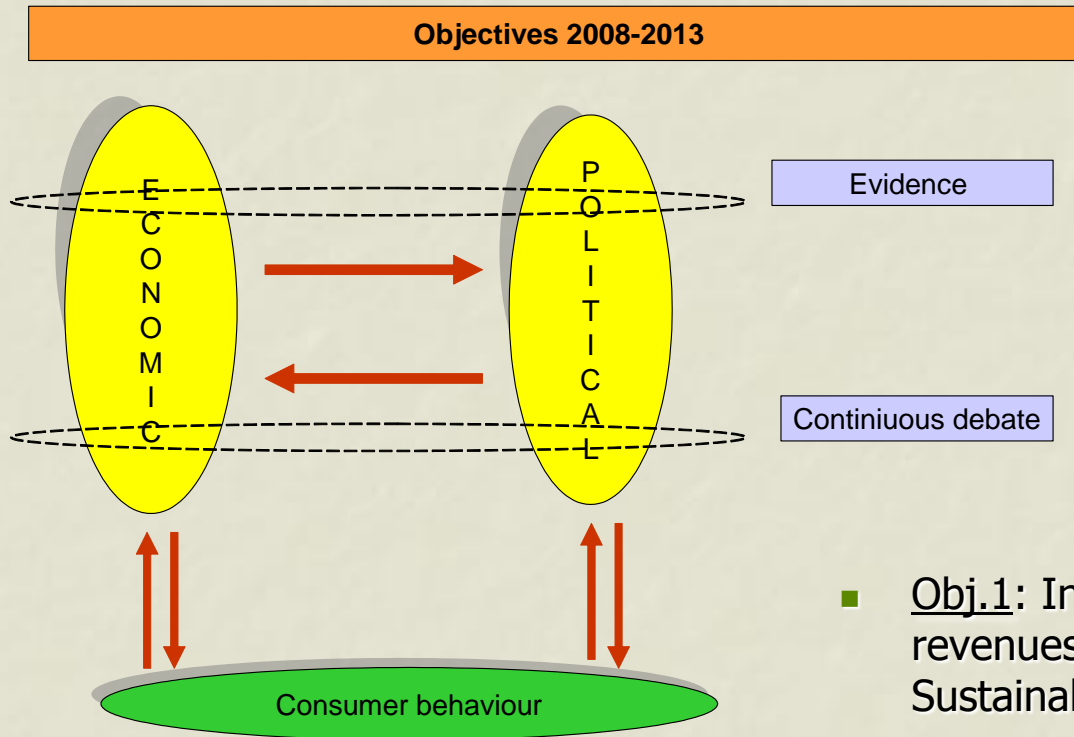
The agricultural sector

- Contribution of agricultural sector to GNP: 15%
- Population active in agriculture: 60%
 - 95% of whom in smallholder farms (7% Female Headed HH)
 - Poverty rate in rural areas: 80% (57% nationally)
 - Rural out-migration: 15%
- 50% of farms cultivate less than 3 hectare
 - 21% less than 1 ha
 - Average family size: 10 persons
 - Ha/person: from 1.07ha in 1960 to 0.57ha in 2000
- Main crops in 2000: Peanuts (28%) & Millet (43%)
 - Other important crops: sorgho, niébé, rice, mais
 - In 1960s: Peanuts 68% and millet 25%

The NGO - VECO

- Globally: present in 12 countries across 4 continents
 - Nicaragua, Costa Rica, Ecuador, Laos, Vietnam, Indonesia, Tanzania, Uganda, Congo, Togo, Benin, Senegal, Belgium
- Active in Senegal since 1989
 - Before: Hydraulic infrastructure, health and agriculture
 - Since recently focus on Chain approach (Production, Processing and Commercialization of agricultural products)
- The mission since 2004:
 - "VECO wants to contribute to viable livelihoods and empowerment of organized family farmers, male and female, in South and North"*

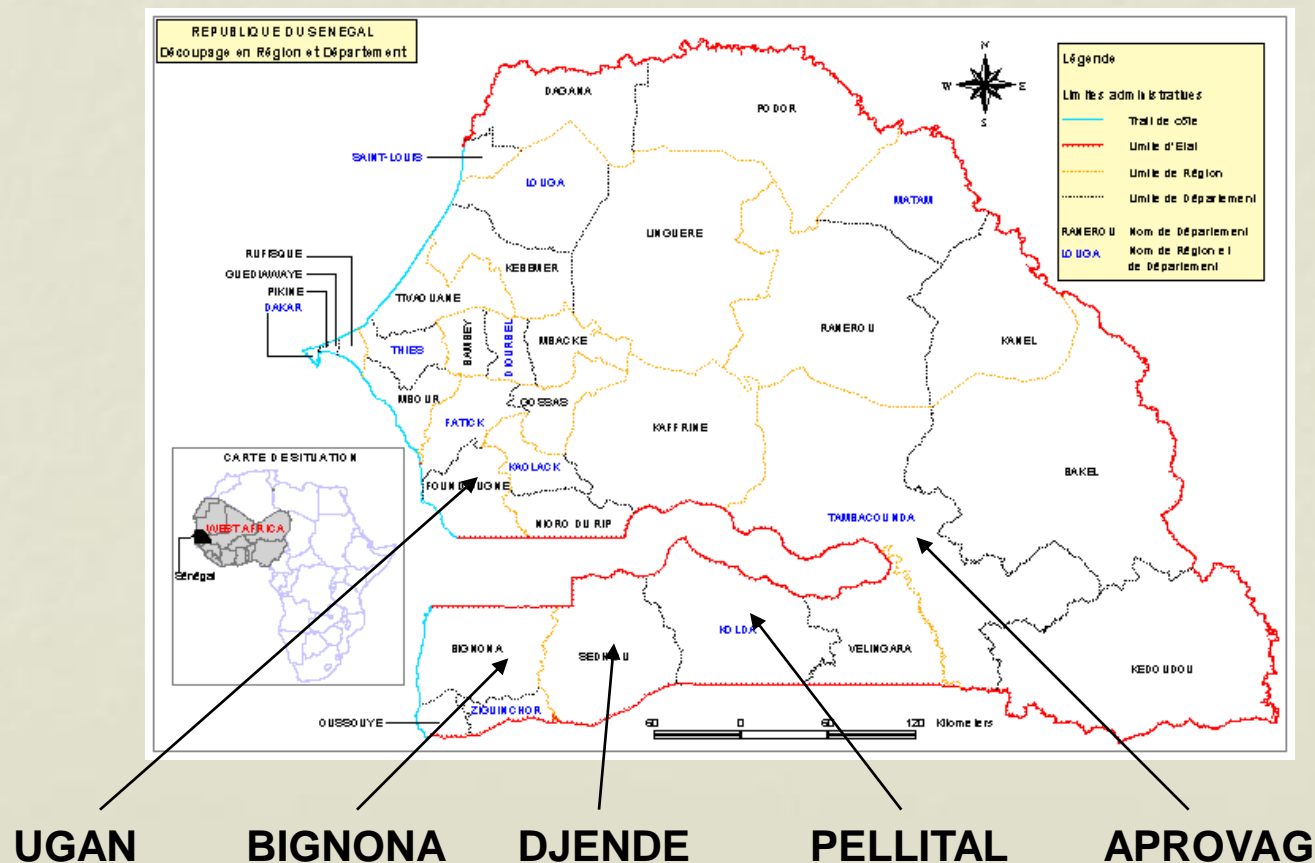
Strategic Objectives



- Obj.1: Increase male and female farmers' revenues through Development of Sustainable Agricultural Chains
- Obj.2: Influence public and private decision making in favor of small holder farmers
- Obj.3: Stimulate sustainable consumption

Key partner organizations

- 2nd level farmers' organizations at district level with 1000+ members (yearly financial contracts and action plans)



The process

- Choosing the chains
- Participatory analyses
- Action plans
- Strategic partnerships
- The role of the NGO

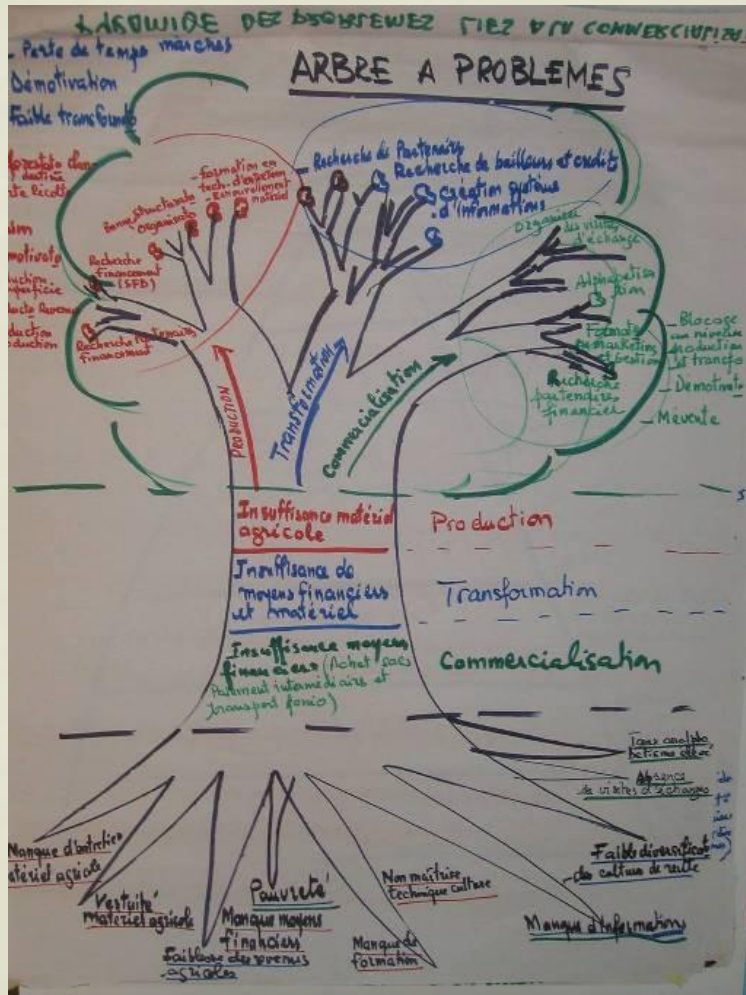
Getting started

- Choosing the chains
 - Internal pre-study of 5 optional chains
 - Multi stakeholders meetings
 - Final choice: sesame, banana, fonio



- Studying the chains (by multidisciplinary teams)
 - Production, processing and commercialisation segments of the chain
 - Restricted to 2 to 3 major production zones in Senegal
 - Identification of actors for possible future partnerships
- Restitution of studies to stakeholders & actors in respective chains
 - Farmers organizations, traders, private sector companies, ministry of agriculture, ministry of commerce, development NGOs, research institutions, etc.

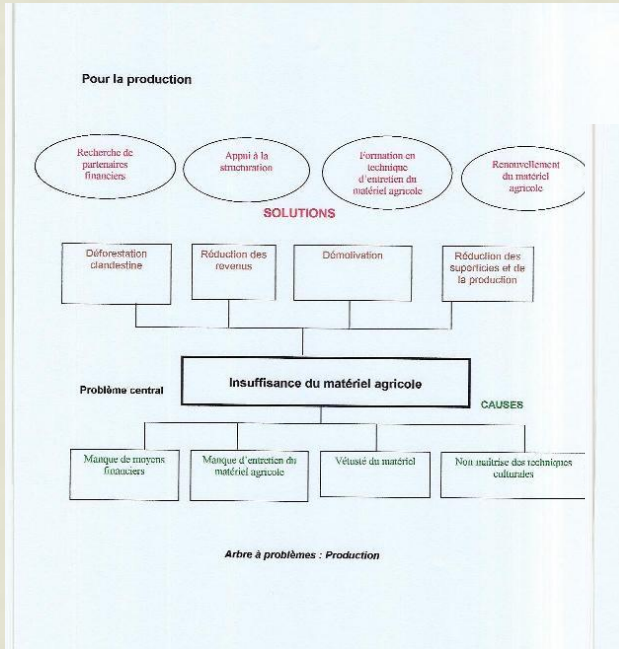
Participatory Analyses



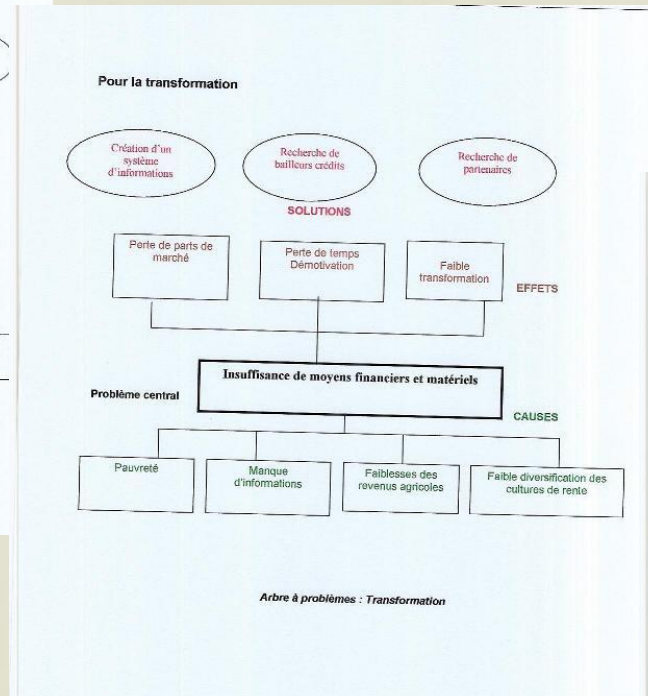
Problem tree

- Méthode Accéléré des Recherches Participatives – MARP
- Chain analysis at district & partner level (e.g. fonio in Djendé)
- Identify bottlenecks in production, processing & commercialisation
- Using problem tree methodology
- Multi actor research team led by VECO

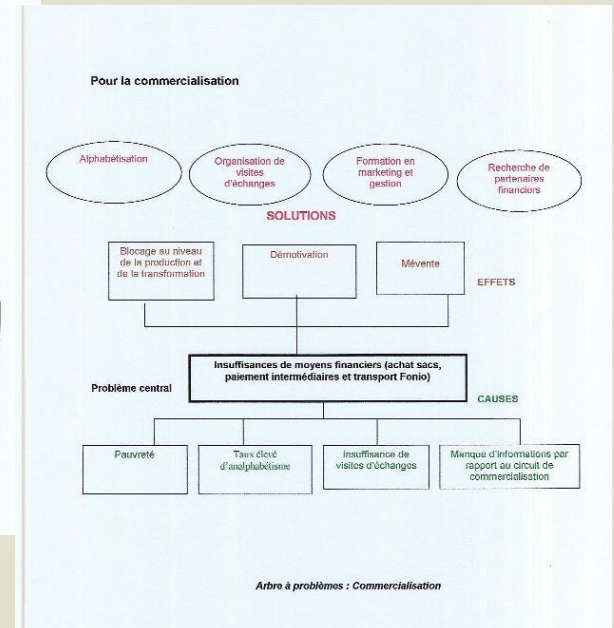
Solution Trees



Production



Processing



Commercialization

Market study & OSID

- Market study in Dakar region (home to 25% of Senegal population)
 - Identifying distribution channels for respective chain products
 - Mapping of processing enterprises within Dakar region
 - Consumer test with age and gender balanced groups

- Organizational strengthening
 - Group's legal status
 - Leaders' roles and responsibilities
 - Keeping track of money flows



Action Plan (E.g. fonio)

- Co-financing (75%) of production and processing materials
- Promoting new production techniques to increase productivity and quality of output
- Training in processing techniques according to professional norms of hygiene and quality to add value to output
- Setting up of commercialisation teams (incl. packing materials)
- Organizational strengthening for better positioning within the chain (e.g. training in negotiation techniques)



Strategic partners – Fonio chain



Wulanafaa – USAID funded; since 2002 in fonio chain; since 2005 in Djendé region; 2nd phase (2008-13) has focus on export



ANCAR – Government agency for extension work at production stage (techniques, seeds, etc.)



ITA – Institute for food processing techniques; develops training in processing to meet quality and hygiene standards



JABOOT – Private sector; established yoghurt brand; plans to promote « *Thiacry light* » (yoghurt with fonio for diabetes patients)



ASCOSEN – National Consumer Organization; promotion of local cereals at grassroots level in urban areas

Role of VECO

- Training in Sustainable Agriculture principles & monitoring
- Facilitating training in production & processing techniques
- Value Chain Analysis & Business Plan development
- Facilitating contact with urban markets & private sector actors
- Partner platform (exchange with partners in other chains for peer-learning)

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The challenges

- The functioning of the chain
- The role of NGOs
- The economy of affection
- The role of the state

In the functioning of the chain

- Quality and quantity (productivity) of **production** needs to improve in order to attract more private sector enterprises
- Bottleneck in **processing** is lack of respect for norms of hygiene and quality
- Fierce competition in local **markets**, because of large imported quantities
- Farmers are used to fixed **prices** (cfr. Peanuts chain); don't take into account production costs
- Lack of **inter-professional committee** at national level for better coordination and negotiation between chain actors

Key challenges for NGOs

- To NOT become an actor in chain
 - E.g. role of Wulanafaa & FONGS in commercialization of fonio
- Sensitize farmers to Quality, Quantity, Price and Cost issues
 - Very different from organized functioning of peanut chain
- Partnerships with strategic partners that have different vision/mission
 - E.g. USAID = Export markets, VECO = farmers' incomes
- Image Building of smallholder farmer products towards private sector actors
 - generally prefer agro-business products because of volume, quality and timeliness of supply)

Revisiting “The Economy of Affection”

- Rural spending patterns (Remittances sent to Senegal-Source Lalou & Ndione 2005)
 - Food (40%) and other HH expenses (20%)
 - School fees, health, investments (10%)
 - Religious and social events (22%)
- Seminal work “The Un-captured Peasantry” by Goran Hyden set in Nyerere’s Tanzania (1980) defines the “economy of affection” as
 - “a network of support, communications and interactions among structurally defined groups connected by blood, kin, community or other affinities, for example religion.”*
- “Money goes for ‘leveling’ rather than ‘growth’, an approach that helps to keep alive the economy of affection, but does not contribute to the formalization of capitalist relations” (Hyden 2003)

The Senegalese State

- Recent focus on agro-business because of modernization idea
 - 2004 – Loi d’orientation agricole & sylvo-pastorale (LOASP)
 - 2006 – Retour vers l’agriculture (REVA)
 - 2008 – Grand offensif agricole pour la nourriture et l’abondance (GOANA)
- Some recent successes for small holder farmers
 - 2006 - onion chain: system of seasonal quota to protect national production
 - 2007 - banana chain: initiatives to streamline functioning of the chain through organizing round tables
 - 2008 - sesame chain: mega contract with Chinese importers
- Many ad-hoc programs (e.g. bissap, mais, REVA, GOANA) **HOWEVER**
 - General lack of strategic vision incorporating rural development
 - Little consulting of national farmers’ organizations (CNCR)



Thank you for your attention